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## **BIWEEKLY REPORT**

# **SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS**

EIC-WGR-1/79

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PREPARED BY THE WORKING GROUP  
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



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These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

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Summary of Events  
30 January - 12 February 1959

With the open encouragement of the Iraqi government, the USSR, Communist China, and the European Satellites have steadily increased their influence in the Iraqi economy since the coup of 14 July 1958. Because there appears to be little economic justification for this abrupt reversal of Iraqi policy, political considerations have doubtless been the principal determining factors. Although the internal political picture is still not clear, the strong pro-Soviet bias of the new government, coupled with increasing military and economic ties with the USSR, may lead to a complete Communist take-over.

India reportedly has accepted a Soviet offer of a loan for the construction of a petroleum refinery with a 2-million-ton capacity at Barauni in Bihar State. The loan would finance the import of equipment for the refinery, and repayment would be made within a 6-year period beginning in 1962. Also in India the first blast furnace of the Bhilai steel plant, which is being constructed with a Soviet credit of \$132 million, was officially opened on 4 February. Progress on this project has thus far been satisfactory, and Soviet engineers plan to have the plant completed on schedule by December 1959.

The entire \$5 million credit which was extended by Czechoslovakia to Afghanistan in August 1954 has now been obligated for three projects -- two cement plants and a fruit-processing plant. One cement plant, at Jabal us Siraj, has already been completed, and an agreement has recently been signed for the construction of the other at Pul-i-Khumri. Construction started in December 1958 on the fruit-processing plant in Kandahar.

It is reported that the Overseas Union Bank, Ltd., a relatively small Chinese-owned institution in Singapore, will set up a branch in Kuala Lumpur in order to take over many of the accounts of the two branches of the Communist-owned Bank of China which are being forced to close because of recent legislation by the Federation of Malaya.

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Communist China has called off its ban on exports to Singapore, although similar restrictions affecting the Federation of Malaya will remain in effect. Leading importers of Chinese goods in Singapore have been informed that they can now order direct from mainland China without going through Hong Kong.

A Soviet delegation has arrived in Libya to negotiate plans for the construction of two 50-bed hospitals. The spokesman for the delegation stated that the erection of the buildings would begin this year and that, when completed and equipped, the hospitals would be turned over to the Libyan government as a gift.

Yugoslavia has recently concluded agreements with a number of Bloc countries covering trade for 1959, the most important being an agreement with the USSR signed on 23 January. This pact calls for an exchange of goods totaling \$108 million, \$54 million in each direction. Other Bloc countries with which agreements have been signed include East Germany, Hungary, and Bulgaria. Trade talks are continuing with other Bloc countries.

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